

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2138 - HB 2044

March 12, 2014

SUMMARY OF BILL: Creates a special education scholarship program that will enable special education students to attend a non-public school. Eligible students shall meet certain requirements to receive a scholarship including, but not limited to, having an Individualized Education Plan (IEP); receiving special education or related services on a daily basis; and not having received a high school diploma. Requires the Department of Education (DOE) to make scholarship applications available to eligible students by May 1 annually. Priority in scholarship awards shall be given to students who received a scholarship in the previous semester. Scholarships shall be no more than \$3,000 per semester, per student in the FY14-15 academic year. Scholarships shall be awarded only for tuition reimbursement and related services, including those services provided to home-school students. Requires students to be enrolled in a non-public school for at least 75 days or more in any semester in which a scholarship is awarded. DOE shall make parents aware of their students' eligibility annually. Following, the initial receipt of a scholarship, LEAs shall reevaluate a student every three years to verify that the student continues to have a disability. Requires the DOE to report no later than October 1 of each year on the program to the Education Committees of the General Assembly. Requires the State Board of Education to promulgate rules and regulations to implement this program.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures –

\$462,900/FY14-15

\$435,300/FY15-16 and Subsequent Years

Decrease Local Revenue –

\$1,742,000/FY14-15

Exceeds \$1,742,000/FY15-16 and Subsequent Years

Decrease Local Expenditures –

Exceeds \$1,000,000/FY14-15 and Subsequent Years

Other Fiscal Impact – In FY14-15, an estimated \$6,000,000 in state BEP funding will shift from LEAs to participating non-public schools. This shift is estimated to exceed \$6,000,000 in FY15-16 and subsequent years.

Assumptions:

- The DOE will hire six positions to manage the scholarship program statewide.
- Salary and benefits for a director position are estimated to be \$89,728; for three Education Consultant positions are estimated to be \$244,143 ($\$81,381 \times 3$); for one finance position is estimated to be \$62,743; and for one administrative position is estimated to be \$38,700. Therefore, a total recurring increase state expenditures estimated to be \$435,314 ($\$89,728 + \$244,143 + \$62,743 + \$38,700$).
- These positions will also require one-time expenses related to equipment and supplies estimated be \$27,588.
- The total increase in state expenditures for personnel in FY14-15 is estimated to be \$462,902 ($\$435,314 + \$27,588$).
- The recurring increase in state expenditures for personnel in FY15-16 and subsequent years is estimated to be \$435,314.
- The scholarship amount will be capped at \$6,000 in FY14-15 and is assumed to remain constant in subsequent years.
- Based on student enrollment data for the fall of 2013, there are 111,121 students eligible to receive special education or related services. Based on information from the Comptroller and the Department of Education, the participation rate in such programs nationally varies by state.
- The number of participating students is estimated to be at least 1,000 in FY14-15. It is assumed that this number will increase in FY15-16 and subsequent years.
- Scholarship funding will come from the state portion of the Basic Education Program (BEP) funding formula for each LEA.
- Each student will receive a \$6,000 scholarship annually; a total scholarship amount of \$6,000,000 ($1,000 \times \$6,000$) in FY14-15.
- Scholarship funding in an amount estimated to be \$6,000,000 will shift from the LEA to the participating school in FY14-15. This shift is estimated to exceed \$6,000,000 in FY15-16 and subsequent years.
- The cost to provide special education and related services varies widely by student and by LEA.
- LEAs will have a decrease in expenditures as a result of no longer providing services to participating students. This decrease cannot be reasonably quantified but is estimated to exceed \$1,000,000 statewide in FY14-15 and subsequent years.
- Participating students will not be eligible to receive federal funding for special education and related services. Currently the state receives federal funding from the Individuals with Disabilities Act (IDEA). This funding is passed through to local governments.
- Based on information provided by DOE, the decrease in local revenue as a result of reduced federal funding from the federal Individuals with Disabilities Act (IDEA) is estimated to be \$1,742 per student annually; a total decrease in local revenue of \$1,742,000 ($\$1,742 \times 1,000$) in FY14-15. It is estimated that the extent of reduced federal funding will increase in FY15-16 and subsequent years as scholarship program enrollment increases.
- No change in the BEP funding formula.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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